

JIM IRVIN
COMMISSIONER - CHAIRMAN
RENZ D. JENNINGS
COMMISSIONER
CARL J. KUNASEK
COMMISSIONER

ARIZONA



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JACK ROSE
EXECUTIVE SECRETARY

ARIZONA CORPORATION COMMISSION

DATE: October 16, 1998

DOCKET NO.: T-03539A-98-0149

TO ALL PARTIES:

Enclosed please find the recommendation of Hearing Officer Jane L. Rodda. The recommendation has been filed in the form of an Order on:

FRONTIER TELEMAGEMENT INC.
(CC&N/RESELLER)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Hearing Officer by filing an original and ten (10) copies of the exceptions with the Commission's Docket Control at the address listed below by 4:00 p.m. on or before:

OCTOBER 26, 1998

The enclosed is NOT an order of the Commission, but a recommendation of the Hearing Officer to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Working Session and Open Meeting to be held on:

OCTOBER 27, 1998 AND OCTOBER 28, 1998

For more information, you may contact Docket Control at (602) 542-3477 or the Hearing Division at (602) 542-4250.


JACK ROSE
EXECUTIVE SECRETARY

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 JIM IRVIN
COMMISSIONER - CHAIRMAN
3 RENZ D. JENNINGS
COMMISSIONER
4 CARL J. KUNASEK
COMMISSIONER
5

6 IN THE MATTER OF THE APPLICATION)
OF FRONTIER TELEMAGEMENT INC.)
7 FOR A CERTIFICATE OF CONVENIENCE)
AND NECESSITY TO PROVIDE LOCAL)
8 EXCHANGE SERVICES AS A RESELLER)
IN THE STATE OF ARIZONA.)
9 _____)

DOCKET NO. T-03539A-98-0149

DECISION NO. _____

ORDER

10 Open Meeting
11 October 27 and 28, 1998
12 Phoenix, Arizona

13 **BY THE COMMISSION:**

14 Having considered the entire record herein and being fully advised in the premises, the
15 Arizona Corporation Commission ("Commission") finds, concludes and orders that:

16 **FINDINGS OF FACT**

17 1. On March 23, 1998, Frontier Telemanagement Inc. ("Applicant") filed with the
18 Commission an application for a Certificate of Convenience and Necessity ("Certificate") to provide
19 local exchange services as a reseller in the State of Arizona.

20 2. In Decision No. 58926 (December 22, 1994), the Commission found that resold
21 telecommunications providers ("resellers") were public service corporations subject to the
22 jurisdiction of the Commission.

23 3. In Decision No. 59124 (June 23, 1995), the Commission adopted A.A.C. R14-2-1101
24 through R14-2-1115 to regulate resellers.

25 4. Applicant is a Wisconsin corporation which has been qualified to conduct business
26 in Arizona since 1998.

27 5. Applicant has a resell agreement with US WEST Communications, Inc. ("US
28 WEST").

6. On May 12, 1998, the Commission's Utilities Division Staff ("Staff") filed a Staff

1 Report.

2 7. Applicant is a wholly owned subsidiary of Frontier Corporation and provided the
3 1997 annual report of its parent company. The annual report indicates the consolidated entity had
4 net income of \$54.5 million on revenues of \$2.35 billion, total assets of \$2.48 billion and total equity
5 of \$970 million. Based on the information provided, Staff concluded that Applicant has sufficient
6 financial resources to provide its proposed resold local exchange services.

7 8. The Staff Report stated that Applicant has no market power and the reasonableness
8 of its rates would be evaluated in a market with numerous competitors.

9 9. Staff recommended that :

10 (a) Applicant's application for a Certificate should be approved without a
11 hearing subject to having a Commission approved interconnection agreement with
12 an incumbent provider prior to the provision of service and subject to A.A.C. R14-2-
13 1106.B;

14 (b) Applicant's local exchange service offering should be classified as
15 competitive pursuant to A.A.C. R14-2-1108;

16 (c) Applicant's competitive services should be priced at the effective rates set
17 forth in Applicant's tariffs and the maximum rates for these services should be the
18 maximum rates proposed by Applicant in its tariffs. The minimum rates for
19 applicant's competitive services should be Applicant's long run incremental costs of
20 providing those services as set forth in A.A.C. R14-2-1109. Any future changes to
21 the maximum rates in Applicant's tariffs must comply with A.A.C. R14-2-1110; and

22 (d) Applicant should be required to comply with the Commission's rules and modify
23 its tariffs to conform with the Commission's rules and modify its tariffs to conform
24 with these rules, if it is determined and there is a conflict between Applicant's tariffs
25 and the Commission's rules.

26 10. By Procedural Order dated August 24, 1998, the Commission set a deadline of
27 September 30, 1998, for filing exceptions to the Staff Report; requesting that a hearing be set; or
28 requesting intervention as interested parties.

11 11. The Commission granted intervention to US WEST on May 12, 1998.

12 12. No exceptions were filed to the Staff Report, nor did any party request that a hearing
13 be set.

14 CONCLUSIONS OF LAW

15 1. Applicant is a public service corporation within the meaning of Article XV of the

1 Arizona Constitution and A.R.S. §§ 40-281 and 40-282.

2 2. The Commission has jurisdiction over Applicant and the subject matter of the
3 application.

4 3. Notice of the application was given in accordance with the law.

5 4. As conditioned below, the provision of competitive local exchange reseller services
6 by Applicant is in the public interest.

7 5. Applicant is a fit and proper entity to receive a Certificate for providing competitive
8 local exchange services as a reseller in Arizona.

9 6. Staff's recommendations in Findings of Fact No. 9 are reasonable and should be
10 adopted.

11 **ORDER**

12 IT IS THEREFORE ORDERED that the Application of Frontier Telemanagement, Inc. for
13 a Certificate of Convenience and necessity for authority to provide competitive resold local
14 exchange services shall be, and the same is hereby granted.

15 IT IS FURTHER ORDERED that Frontier Telemanagement, Inc. shall comply with the Staff
16 recommendations set forth in Findings of Fact No. 9.

17 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

18 **BY ORDER OF THE ARIZONA CORPORATION COMMISSION**

19
20 COMMISSIONER - CHAIRMAN COMMISSIONER COMMISSIONER

21 IN WITNESS WHEREOF, I, JACK ROSE, Executive
22 Secretary of the Arizona Corporation Commission, have
23 hereunto, set my hand and caused the official seal of this
24 Commission to be affixed at the Capitol, in the City of Phoenix,
25 this _____ day of _____, 1998.

26 _____
27 JACK ROSE
28 Executive Secretary

28 DISSENT: _____
JR:bbs

1 SERVICE LIST FOR:

FRONTIER TELEMAGEMENT, INC.

2 DOCKET NO.:

T-03539A-98-0149

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